

# MINUTES

## Audit Committee of Roanoke City Council

**Location:** Council Conference Room  
Noel C. Taylor Municipal Building, Room 451 South

**Date:** March 2, 2016

**Time:** 4:03 p.m. to 4:51 p.m.

### Attendees:

<b>Audit Committee Member</b>	<b>Present (Y/N)</b>
Ray Ferris (Chair)	Y
Anita Price	Y
Court Rosen	Y
David Bowers (ex-officio)	N

Drew Harmon, Municipal Auditor  
Dawn Hope Mullins, Assistant Municipal Auditor  
Cari Spichek, Senior Auditor  
Ann Clark, Senior Auditor  
Wayne Parker, Senior Auditor  
Sherman Stovall, Assistant City Manager – Operations  
Dan Callaghan, City Attorney

### 1. Call to Order:

Mr. Ferris called the meeting to order at 4:03 p.m. and welcomed everyone. Mr. Ferris asked if there were any corrections to the minutes from the December 21, 2015 meeting. Hearing none, the minutes were approved as written.

### 2. City Council Expenditures:

Mr. Harmon briefed the Committee on the results of the audit for the year ending June 30, 2015. The objectives of the audit were to verify compliance with the *Travel and Expense Policy for City Council* and to verify council expenditures were accurately reported. Mr. Harmon noted that this was the first year that salaries and fringe benefits had been reported individually for each member of Council.

Expenditures for the year totaled \$256,786 and were within the approved budget. All expenditures were properly approved, supported by documentation, and for the benefit of the City. Auditors identified expenses for a youth services trip that were incorrectly charged to the Council unit that were not corrected until after year end. The Department of Management and Budget plans to review council units on a quarterly basis to help ensure corrections and budget transfers are made timely.

The report was received and filed without objection.

### **3. GRTC Revenue Collection:**

Mr. Harmon noted that the Municipal Auditing department is designated as the auditors for the Greater Roanoke Transit Company (GRTC). The department coordinates the annual financial audit and for many years audited the retirement trust accounts. The audit of the retirement trust accounts was not required by law and after consulting with management, it was agreed that other audits would be considered in place of the retirement trusts. Auditing has met with the General Manager and Director of Finance on a bi-monthly basis to develop a familiarity with each other. The revenue collections audit was identified as an important function that would be a good opportunity to apply operational auditing processes.

The objectives of the audit were to evaluate controls over cash fares as well as sales of tickets and passes. These revenues totaled approximately \$2.1 million dollars for the year ending June 30, 2015. The audit determined that controls are very sound, with sophisticated systems to ensure revenue is correctly recorded, classified, and secured.

Mr. Rosen asked if the action plan was intended to address the timeliness of reconciliations. Mr. Harmon confirmed that the action plan would address the timeliness of reconciliations. Mr. Rosen asked if the control issues were personnel related. Mr. Harmon stated that there had been some shifting of duties during the period audited that contributed to the problem. The goals were set to encourage staff to keep up with the flow of deposits. Missing those goals did not affect revenues or accountability for the deposits. Overall, the results of the audit were very positive.

The report was received and filed without objection.

### **4. Audit Update:**

Mr. Harmon used two power point presentations to brief the Committee on the performance of the Auditing department through February 22<sup>nd</sup> and the department's proposed budget for fiscal year 2017. He referenced benchmarks from the Association of Local Government Auditors' 2015 survey for comparison purposes. Highlights included:

- Consultations accounted for 32% of the department's direct audit hours. Mr. Harmon noted that the ALGA benchmark was 11% and that he felt this was too low. Roanoke invests significant hours in coordinating the external audit, ensuring an arm's length relationship is maintained between the Department of Finance and the Accounting firm performing the audits. Other hours are dedicated to serving on committees and commenting on proposed changes to processes.
- The School Division has accounted for 38% of Auditing's hours through February. This is primarily due to some carryover of school assignments from the prior year and scheduling the current year's assignments earlier in the year so as to complete the school related work in a timely fashion. This

percentage will fall by the end of the year. A target of 20% in an average year would be ideal. Mr. Rosen noted that the annual payment from the school division for auditing services is less than the proportional share of the cost of the Auditing department based on direct hours used. The Committee discussed the costs and benefits, the basis of the reimbursement formula, and the desire to continue with the current arrangement.

- Only 38% of assignments budgeted for 100 or more hours have been completed. Ideally the percentage would be greater at this point in the year.
- Larger projects (over 300 hours) that are in progress are related to city revenues, school fixed assets, processing the City's general liability and auto claims, and right of way maintenance.
- Indirect hours accounted for 34% of overall time. The ALGA benchmark is 30% and is an appropriate goal for Roanoke.
- Indirect time includes important employee development hours. All auditors are required to read industry journals, the city's important financial documents, and auditing standards on a regular basis.
- Auditing will not meet its goal of eight (8) completed assignments per full time equivalent this year.
- Client satisfaction ratings based on a five (5) point scale are exceeding the annual goal with a combined average rating of 4.83.

The Committee supports and encourages Auditing's initiative to work with the Commissioner of the Revenue and the City Treasurer's office to review revenue processes. The goal of simplifying processes from the perspective of business owners and residents is of particular interest.

Budget Overview: Mr. Harmon reviewed the department's proposed budget with the Committee. The overall expenditure would be \$751,309 with 78% related to personnel costs. The external audit is estimated to cost \$140,995 and operating costs will be \$22,517.

The training budget does not support travel to out of town conferences. This limits opportunities for staff to meet peers, be exposed to new ideas, and hear nationally recognized presenters. This year's budget proposes a new subscription service that provides tools and training. It supports updating equipment and software, adding capabilities to transition to automated work papers in the future. A proposal to fund auditing software that includes automated work papers will be developed in the next couple of years.

The presentations were received and filed without objection.

## **5. Other Business:**

There was no other business.

**6. Adjournment:**

Mr. Ferris adjourned the meeting at 4:51 p.m.